SAMUEL L. JONES
MAYOR

CITY OF MOBILE

FOREIGN-TRADE ZONES BOARD

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October 7, 2009

Mr. Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
U.S. Department of Commerce
1401 Constitution Ave., NW
Room 2111
Washington, DC 20230

Re: Supplementary comments pursuant to public hearing – Docket No. 51-2008

Dear Mr. McGilvray:

As the Mayor of the City of Mobile, Grantee of Foreign-Trade Zone No. 82, I would like to offer some supplemental comments pursuant to the public hearing held on September 10, 2009, concerning the application for subzone status on behalf of ThyssenKrupp USA.

The information in these comments will be familiar to you; however, I would like to offer the information in order to assure that it becomes a part of the public record for the case.

As you are aware, there were several suggestions made at the September 10 hearing that it would be impractical or inadvisable to extend Foreign-Trade Zone benefits to an entire industry.

In my remarks at the hearing, I noted that prior to the Uruguay Round Agreements, U.S.-based steel producers enjoyed a positive rate of tariff protection. In most cases, duties that applied to imported alloys were lower than those that applied to steel mill products. Thus, generally speaking, the U.S. tariff structure was biased in favor of U.S-based steel production. Today, the opposite is true. Under the Uruguay Round tariff structure, the NTR rate that applies to steel mill products is “Free,” while tariffs remain in place for various alloys.

One practical solution to this problem is to make the U.S. Foreign-Trade Zones program available to all U.S.-based steel producers. Naturally, this requires the approval of a precedent case. The history of the Zones program has demonstrated that a precedent case often opens the door for an entire domestic industry to enhance its competitiveness through the use of Zone procedures.

During the 1980s, the tariff structure for the automotive industry was characterized by inverted tariffs. Once a Foreign-Trade Zone precedent was established in that industry, dozens of U.S.-based automotive plants – including more than 40 plants owned by GM, Ford and Chrysler – used Zone status to obtain relief from inverted tariffs until implementation of the Uruguay Round tariff structure rationalized those duty rate relationships.

When a group of small independent oil refiners sought subzone status in the mid-1980s, interests representing the existing oil refining industry raised objections to the granting of relief from inverted tariffs; however, a decade later, when a number of refiners had taken the opportunity of evaluating the Zones program for themselves, they decided that Zone status – including relief from inverted tariffs – was a good idea. Today, the oil refining industry – which benefits from relief from inverted tariffs on certain products – comprises a significant portion of overall use of the U.S. Foreign-Trade Zones program, with nearly 80 U.S.-based refining operations designated as Foreign-Trade subzones.

Given these facts, I believe it entirely practical and desirable to make the Zones program available to the U.S.-based steel industry, and I reiterate my belief that when the members and constituents of the U.S.-based steel producing industry take the time to evaluate the Foreign-Trade Zones program in an objective light, they too, will come to recognize its value.

Sincerely,

Samuel L. Jones
Mayor

SLJ/jb